

Indiana Charter School Board

Application Recommendations for Spring 2016 Application Cycle [part 1¹]

March 29, 2016 Board Meeting

SUMMARY STAFF RECOMMENDATIONS

Applicant Group	School Name(s)	Opening Year	Location	ESP* Partner (If Any)	Grade Levels and Enrollment (At Capacity)	Staff Recommendation
Drexel Foundation for Educational Excellence, Inc.	Thea Bowman Leadership Academy	2016 (2003)	Gary	Phalen Leadership Academy	Grades: K-12 Enrollment: 1,269	Approve

* ESP=Education Service Provider, also referred to as Education Management Organization or Charter Management Organization. An ESP can be not-for-profit or for-profit.

¹ This application for a change of authorizer has been expedited, without sacrificing the quality of review, pursuant to the February ICSB meeting, due to the unique circumstances of needing to provide an answer to the students and community served by the school.

Indiana Charter School Board

Application Evaluation Process and Contents Overview

Evaluation Process

The Indiana Charter School Board generally utilizes the following process to evaluate charter school applications during its Spring 2016 application cycle and provide Board members with merit-based recommendations regarding whether to approve or decline each proposal. Staff contracted directly with independent evaluators with national and local expertise on the operation of successful charter schools. This Report is the culmination of three stages of review:

- **Proposal Evaluation:** The evaluation team, consisting of Indiana Charter School Board staff and national evaluators, conducted assessments of the merits of the proposal based on the complete proposal submission. In the case of experienced operators, or applicants proposing to contract with Education Service Providers (ESPs), the application process included due diligence to assess the applicant's or ESP's record of performance and financial and operational capacity to replicate. Due diligence included reference checks with other authorizers.
- **Interview:** The Indiana Charter School Board staff conducted a comprehensive interview of each applicant group for the purposes of evaluating the applicants' capacity to implement the proposed educational model and school start-up plan effectively.
- **Staff Judgment:** Following the interview, Indiana Charter School Board staff formulated an independent judgment regarding whether to recommend the proposal for approval or declination.

Evaluation Contents

This Evaluation Report includes the following:

- **Proposal Overview:** basic information about the proposed school(s).
- **Recommendation:** an overall judgment regarding whether the proposal meets the criteria for approval.
- **Evaluation:** analysis of the proposal based on three primary areas of plan development.
 - A. Evidence of Capacity: evidence that the governing body of the proposed charter school – and the Education Service Provider, if applicable – has the requisite skills necessary to operate a high-performing school. Evidence must include a proven academic, financial and operational track record for experienced operators or ESPs, if applicable. In addition, the Governing Body must demonstrate readiness to fulfill its oversight and fiduciary obligations at the time of application submission.
 - B. Education Plan: evidence that the education plan, including the curriculum, instructional practices and use of student assessments, is rigorous, data-driven, and designed to meet or exceed Indiana standards. The school must also demonstrate its readiness to serve Special Student populations.
 - C. Business Plan: evidence that the school will be able to secure the necessary resources (financial, human, and capital) to support school success, particularly during start-up.

- D. Deficiencies Addressed: Because this is a Change in Authorizer Application that falls under the requirements of Indiana Code 20-24-4-1.5, this recommendation also addresses whether the proposal is substantially different in the areas of deficiency identified by the current authorizer.

Opening a successful, high-performing charter school depends on having a complete, coherent plan.

It is not an endeavor for which strength in one area can compensate for material weakness in another. **Therefore, in order to receive a recommendation for approval, the application must meet the criteria in all three areas.**

CHARTER APPLICATION RECOMMENDATION

School Name(s)	Thea Bowman Leadership Academy
Applicant Group	Drexel Foundation for Educational Excellence, Inc.
Proposed Location(s)	Gary, Indiana
School District(s)	Gary Community School Corporation
School Model	College Prep
Mission	Provide a high-quality educational option in Gary, Indiana, in recognition of the power of education to transform lives.
Opening Year(s)	2016 (2003)
Grade Levels and Enrollment (At Capacity)	K-12, 1300
Education Service Provider (If Any)	Phalen Leadership Academies
Special Notes	<p>The current Drexel Foundation board has a meeting scheduled on March 30th at which time all of the current Drexel Foundation board members will resign and the following four members will be appointed:</p> <ul style="list-style-type: none"> • Clifton Gooden – K-12 teaching and administrative experience • Tony Walker- attorney with governance experience • Eve Gomez- community engagement • Michael Suggs- communications and government relations, operations <p>We understand that at least one more board member (with financial experience) will be appointed. In addition, to assist with the transition, Earl Phalen will be an ex-officio (non-voting) member of the board.</p>

Staff Recommendation	APPROVE
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Summary Assessment	<p>The application has many strengths, including a passionate and diverse board, a committed ESP, and the support of the community. The application meets standards across all three areas: evidence of capacity, education plan, and the business plan.</p> <p>ICSB staff recommends approval of the Change in Authorizer proposal. The Drexel Foundation should ensure that its Board is at full capacity (including the members described above and at least one more member with suitable financial expertise) before the April 15th State Board of Education meeting.</p>
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SUMMARY EVALUATION CATEGORY RATINGS	
Evaluation Category	Overall Rating
EVIDENCE OF CAPACITY	Meets the Standard
EDUCATION PLAN	Meets the Standard
BUSINESS PLAN	Meets the Standard
RATING CATEGORIES (lowest to highest): Does Not Meet the Standard, Partially Meets the Standard, Approaches the Standard, and Meets the Standard	

DETAILED EVALUATION CATEGORY RATINGS
EVIDENCE OF CAPACITY
<p><u>Strengths</u></p> <ul style="list-style-type: none"> As of March 30th, the Drexel Foundation Board (“Board”) will consist of four Board members who bring expertise in relevant fields, including legal and governance, K-12 teaching and administration, community engagement, and operations. The Board plans to add at least one more member with financial expertise. All members are intimately involved with and familiar with Lake County, and more specifically, the Gary community. In addition, the initial Board will include Earl Phalen as an ex officio member, who brings both legal and educational expertise. The Board has identified an ESP with experience in school leadership, academic programming, and finance. Further, PLA has experience in transitioning governance and with delivering multiple school models. Finally, PLA has experience serving student bodies with similar demographics. Although from Indianapolis, Mr. Phalen has already demonstrated significant commitment to the proposed partnership with Thea Bowman Leadership Academy (“TBLA”). Over the last three weeks, he has spent multiple days at the two TBLA campuses talking with teachers, administrators, students and parents, and hosted over 40 TBLA parents and teachers at his Indianapolis schools. As an ESP, PLA is well poised to serve TBLA. Two key PLA team members are located in Chicago, including its director of Human Resources, and PLA has successfully offered Summer Advantage, a national non-profit organization providing elementary and middle school students living in low-performing school districts with research-based summer learning programs focused on academic gain, in Chicago for multiple years.

- Phalen Leadership Academies' initial school, Phalen Leadership Academy 1 ("PLA-1") has demonstrated strong academic performance. It has strongly outperformed comparable IPS schools on Math, ELA, and IREAD-3 passages rates, and it has outperformed other public schools of choice with the exception of the Butler Laboratory School, an IPS magnet school, which outperformed PLA-1 on Math passage by 6% points.
- In March of 2015, IPS asked PLA to manage IPS School 103 as an innovation network school. The progress at School 103 has been lauded by media who have followed the transformation of the school. Moreover, the IPS Board and Superintendent have been so satisfied with PLA's initial performance at School 103 that they have asked Mr. Phalen to manage IPS School 93 as an innovation network charter school during the next school year.
- The applicant interview included specific questions around the capacity of PLA to serve TBLA along with existing plans for expansion in Indianapolis, and significant support was provided that capacity existed.

Areas of Concern

- The new Drexel Foundation Board will not be in place until March 30th. The Board was initially scheduled to meet on March 29th, but was forced to move the date to March 30th when the ICSB meeting was rescheduled. While staff have spoken both with existing Board members and the new proposed Board members and are confident that the March 30th will proceed as planned, Staff recommends that any approval be contingent on the proposed new Board being in place before the April 15th State Board of Education meeting.

EDUCATION PLAN

Strengths

- The Drexel Foundation board members, both old and new, and PLA have demonstrated a strongly shared commitment for providing high-quality educational opportunities for TBLA students. The education plan includes following pillars: Highly-effective, data-driven instruction, frequent assessment, differentiated, small group instruction, enrichment, strong parental engagement, and provision of a rigorous, evidence-based curriculum. The curriculum narrative was thorough and provided a review of the approach that TBLA will use to carry out instructional activities, curriculum for math and reading, as well as supplemental resources.
- The capacity interview demonstrated that PLA has done extensive research on educational approaches, curriculum and instructional practices, and has visited numerous high functioning schools across the country (Harcourt Journey, Compass Learning, Singapore Math, Star Diagnostic, etc.). The manner in which the PLA will implement and use continuous assessment and data analysis to inform teaching practices and professional development is also a positive attribute.
- The capacity interview further included detail around the foundation of school culture, faculty training and development, and systematic use of assessment data to inform school decisions, and these details demonstrated a cohesive approach to ensuring high-quality instruction.
- Although the performance of TBLA has been on a downward trend, both reading and math state assessment scores are at or above neighboring schools, both charter and public.
- Given only three years of operation, we have limited data for PLA-1 and even less for School 103 (which has been operated by PLA for less than a year). However, initial academic indicators for PLA-1 have been strong. It has outperformed comparable IPS schools on Math, ELA, and

IREAD-3 passages rates, and other public schools of choice with the exception of the Butler Laboratory School, an IPS magnet, which outperformed PLA-1 on Math passage by 6% points.

BUSINESS PLAN

Strengths

- Thea Bowman Leadership Academy (“TBLA”) has been in operation in Gary, Indiana since 2003 and historically has been one of the highest performing schools in the area, although its performance has been on a downward trajectory for the last few years. The combined school most recently received a grade of “D,” although disaggregated performance shows that the middle/high school received a “B” grade.
- There is strong support for the proposed school continuing as a charter school, as demonstrated by the comments made during the public hearing and by email. Not a single comment was received in opposition to keeping the school open. The few comments “opposing” the proposal did not oppose the continued operation of the school, but demonstrated a preference with keeping the charter with Ball State University.
- The school currently has two facilities in operation, a facility for grades 7-12 and a facility for grades K-6. The K-6 building is a school building formerly housing a Roman Catholic School that is currently subject to a lease with the Diocese of Gary through June 2017. Lease payments are expected to range from \$140,000 - \$160,000 over the remaining term of the lease. The middle/high school was opened in 2009 and was financed by IFA Educational Facilities Revenue Bonds that are collateralized by the building and improvements. The amount currently remaining on the bonds is approximately \$18m. Loan principal is paid in annual installments through October 2039. Interest rates on the bonds are paid semi-annually at rates ranging from 6-7%. The facilities lease and rent expenses are reasonably reflected in the budget.
- The updated multi-year financial projections (FY 2016 through FY 2021) flat-line all enrollment, revenue, and cost assumptions from FY 2016 to FY 2017. Beginning in FY 2018 and in each fiscal year thereafter, the projections assume enrollment increases of 25 students annually, until the School has reached a total enrollment of 1,373 students in FY 2021. We understand that enrollment for the Fall is currently confirmed at 1,269 students and we believe these modest enrollment increase projections are reasonable due to the governance and management changes and the strong support for the school in the community.
- The FY 2014 audited balance sheet reflects significant current and liquid assets, and healthy unrestricted assets, though the latter declined from FY 2013. The balance sheet depicts sizeable, restricted cash reserves for debt service. Note that we were unable to review a 2015 audit for the school due to problems with the school’s former ESP, American Quality Schools (“AQS”), which was responsible for audit performance and completion. TBLA’s balance sheet as of June 30, 2014 (FY 2014) is relatively strong.
- A switch to the ICSB will save the school upwards of \$126,000 annually (based on actual payments to Ball State University in FY 2014, as reported by the School’s independent audit, and projected fees to be paid to ICSB in FY 2017).

Areas of Concern

- The FY 2014 and FY 2013 audits received unqualified independent auditor opinions. However, the FY 2014 audit called to management’s attention “two financial statement findings and two federal award findings.” These findings were deemed “significant deficiencies that are not

considered to be material weaknesses” and were related to internal financial policies and procedures. Management acknowledged the deficiencies to the auditor and pledged to correct them. To the extent they have not yet been corrected, we believe they can and will be addressed through the governance and management changes.

- When we raised the concern as to whether PLA will be able to afford maintaining, and further building, network-wide back office capacity, while essentially absorbing and/or subsidizing costs that cannot be covered by flat fees imbedded in TBLA’s multi-year projections through FY 2021, during the interview, Mr. Phalen indicated that he feels very confident about his capacity to successfully afford the back office capacity needed to support TBLA. PLA had initially planned to, and had built and structured the network's capacity, to lead an IPS district school as a turnaround school next year. PLA is instead shifting these resources to focus on leading TBLA. Mr. Phalen believes that these already existing resources are sufficient to sustain providing back office support to TBLA, while not sacrificing supports to PLA’s existing schools. In addition, PLA recently received a \$3.125M grant to further build its network infrastructure, and has already begun to tap those and other resources to strengthen its capacity and infrastructure. As further needs arise, Mr. Phalen told us that he feels confident that he can find opportunities for cost savings and to raise the required philanthropy for special projects.